



THE PLANNED INVESTMENT FUNDS AND SERVICES

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Fund performance figures in this report are given only as an indication of possible future performance because there can be no guarantee as to the future value of the fund shares which fluctuate with general market conditions and trends.

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CANADA GROWTH FUND

WHAT THE FUND IS

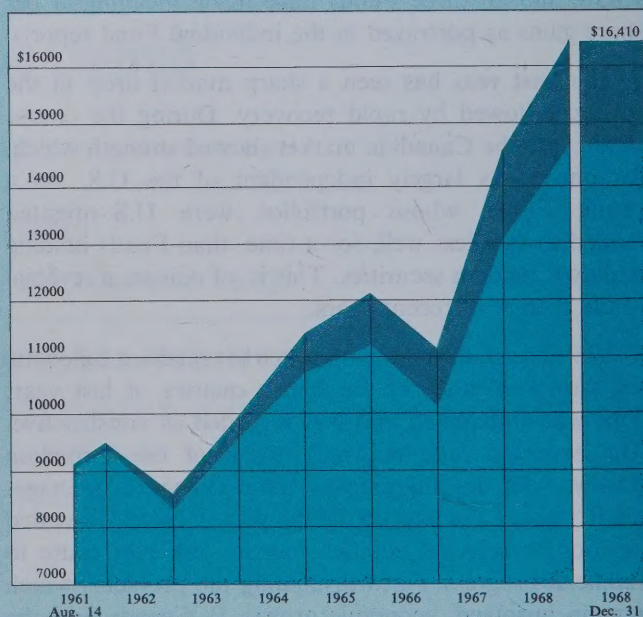
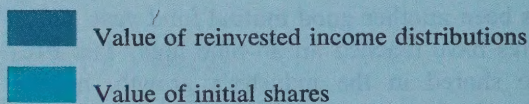
The purpose of Canada Growth Fund is to make its shareholders' money grow. In seeking capital growth the Fund invests in the common stocks of growing companies that are well-established. It reduces the risk of loss by investing in a number of companies in different industries. Each investment is selected with great care and watched constantly. As the fortunes of individual companies change, so changes are made in the securities owned by the Fund. In this way management tries at all times to keep the Fund invested only where the greatest promise of growth in value appears to be.

The economies of both Canada and the United States as a whole are growing. However, at any given time certain industries move ahead while others lag behind. The market values of even the best stocks tend to grow or recede with public confidence, and therefore the share values of Canada Growth Fund also fluctuate. However, management's effort to have the Fund invested in the right securities at the right time is what produces good long-term results for the investor. In this way the Fund tries to do considerably better than the market as a whole.

Canada Growth Fund should be regarded as a prudent mixture of aggressiveness and caution. It is not a speculative Fund, taking excessive risk in untried, junior ventures. It does however, scour the North American continent for exceptional opportunities that can meet its quality standards. All of the most modern investment research techniques are used. The growing success of its policies is a matter of record. Management will continue to work diligently in pursuit of its primary objective: to make its shareholders' money grow.

INVESTMENT RESULTS

Value of a \$10,000 investment made on August 14, 1961 at the maximum offering price.



MANAGEMENT PERFORMANCE

(with income reinvested)

From Inception Aug. 14, 1961	Past five years	Past twelve months
+80.2%	+64.5%	+12.7%

It is the opinion of management that the Fund qualifies for corporate pension fund investment under all Canadian regulations and it is the intention to continue such qualification.



CANADA GROWTH FUND

Investment Adviser: Vance Sanders & Company of Canada Limited

PORTFOLIO OF INVESTMENTS AS AT DECEMBER 31, 1968

SECURITY	Shares held	Market value (note 5) \$
AGRICULTURAL AND AUTOMOTIVE (2.47%) U.S.		
Chrysler Corporation	9,000	549,146
BUSINESS SERVICES AND PRODUCTS (8.48%)		
Automatic Retailers of America, Inc. (U.S.)	5,000	602,116
Baker Industries, Inc. (U.S.)	10,000	587,365
Dustbane Enterprises Limited	3,500	85,313
Versafood Services Limited	28,900	606,900
		<u>1,881,694</u>
CHEMICALS, DRUGS AND HEALTH (10.53%) U.S.		
Cutter Laboratories Class "A"	8,700	287,004
Cutter Laboratories Class "B"	6,300	204,451
Norwich Pharmacal Co.	10,000	494,835
Rorer Amchem Inc.	16,000	665,144
Schering Corporation	7,900	686,493
		<u>2,337,927</u>
COMMUNICATIONS AND ELECTRONICS (7.52%)		
American Telephone & Telegraph (U.S.)	10,000	567,250
C.A.E. Industries Ltd.	25,000	278,125
General Telephone & Electronics Corporation (U.S.)	6,600	283,223
International Telephone & Telegraph Corporation (U.S.)	8,600	539,732
		<u>1,668,330</u>
CONSUMER PRODUCTS (6.41%) U.S.		
Eastman Kodak Company, Inc.	5,360	419,770
Jonathan Logan, Inc.	7,000	420,542
Jostens Inc.	15,000	583,342
		<u>1,423,654</u>
CONSUMER SERVICES (6.65%)		
Fox-Stanley Photo Products, Inc. (U.S.)	9,334	605,825
Harvey Foods Ltd.	15,000	525,000
McDonald's Corporation (U.S.)	5,000	343,970
		<u>1,474,795</u>
INSURANCE (3.43%) U.S.		
Chubb Corporation	4,837	275,027
Government Employees Life Insurance Company	8,238	486,081
		<u>761,108</u>

SECURITY	Shares held	Market value (note 5) \$
LEISURE TIME (7.58%) U.S.		
Columbia Picture Corporation	10,500	467,478
Metromedia, Inc.	10,000	557,863
Midas International Corporation "A"	17,000	656,561
		<u>1,681,902</u>
OFFICE EQUIPMENT (8.90%)		
International Business Machines Corporation (U.S.)	2,400	811,690
Moore Corporation Limited	14,000	451,500
The Rank Organization Limited, "A" Ord. (U.K.)	62,000	713,000
		<u>1,976,190</u>
OILS AND NATURAL GAS (13.25%)		
Dome Petroleum Limited	9,800	899,150
Getty Oil Company (U.S.)	6,000	571,272
Northern Natural Gas (U.S.)	7,000	443,072
Texaco Canada Limited	8,400	277,200
Texaco Inc. (U.S.)	8,385	751,127
		<u>2,941,821</u>
RETAIL (9.54%)		
Kings Department Stores (U.S.)	18,000	444,144
M. Loeb Limited	20,000	217,500
Oshawa Wholesale Limited "A"	22,925	937,059
Shop & Save (1957) Ltd.	22,508	517,684
		<u>2,116,387</u>
UTILITIES (2.23%)		
International Utilities Corporation ...	11,000	495,000
MISCELLANEOUS (7.81%) U.S.		
Cenco Instruments Corporation	8,600	512,053
Rohr Corporation	14,200	540,805
Zapata Norness Inc.	9,800	680,753
		<u>1,733,611</u>
TOTAL PORTFOLIO OF INVESTMENTS (94.80%) ..		21,041,565
SHORT TERM BANK NOTES (2.25%)		500,000
NET CASH AND RECEIVABLES (2.95%)		654,615
TOTAL NET ASSETS		22,196,180



CANADA GROWTH FUND

BALANCE SHEET AS AT DECEMBER 31, 1968

ASSETS

	1968 \$	1967 \$
Investments in securities — at market value (average cost 1968 — \$15,805,347; 1967 — \$14,730,771)	21,541,565	18,647,805
Cash	651,024	182,081
Subscriptions receivable for shares of the Fund sold	118,471	100,465
Accounts receivable from sale of investments		79,142
Dividends and interest receivable	37,957	38,748
	<u>22,349,017</u>	<u>19,048,241</u>

LIABILITIES

Accrued expenses	41,824	35,370
Accounts payable for shares of the Fund redeemed	63,040	41,601
Accounts payable for the purchase of investments	34,351	49,671
Income distribution payable December 31, 1968 (note 1)	13,622	22,799
	<u>152,837</u>	<u>149,441</u>

SHAREHOLDERS' INTEREST

Shares of no par value issued and outstanding (notes 1 and 2)		
Issued since inception	4,051,569.952 shares	24,138,199
Redeemed	1,303,561.676	8,341,892
Balance outstanding	<u>2,748,008.276 shares</u>	<u>15,796,307</u>
Gains on investments		
Realized	663,655	157,250
Unrealized	5,736,218	3,917,034
	<u>6,399,873</u>	<u>4,074,284</u>
Net assets	<u>22,196,180</u>	<u>18,898,800</u>
	<u>22,349,017</u>	<u>19,048,241</u>
Net asset value per share	<u>8.08</u>	<u>7.22</u>

SIGNED ON BEHALF OF THE MANAGER

"J. B. SPARLING", Director

"R. R. TILDEN", Director

STATEMENT OF INCOME AND DISTRIBUTION

FOR THE FIVE YEARS ENDED DECEMBER 31, 1968

	Year ended December 31				
	1968 \$	1967 \$	1966 \$	1965 \$	1964 \$
Income from investments — Dividends and interest	312,851	399,998	345,054	350,354	133,576
Fees to sponsor and manager (note 3)	152,429	130,413	103,441	103,631	36,760
Net income for the year	160,422	269,585	241,613	246,723	96,816
Portion of value of shares issued or redeemed during the year applicable to their participation in the distribution account (notes 2 and 4)	3,892	5,914	1,462	13,694	
Distribution to shareholders (note 1)	<u>164,314</u>	<u>275,499</u>	<u>243,075</u>	<u>260,417</u>	<u>96,816</u>



CANADA GROWTH FUND

STATEMENT OF REALIZED GAINS OR (LOSSES) ON INVESTMENTS

FOR THE FIVE YEARS ENDED DECEMBER 31, 1968

	Year ended December 31				
	1968 \$	1967 \$	1966 \$	1965 \$	1964 \$
Balance — beginning of year	157,250	185,525	248,155	251,156	19,182
Gains or (losses) on sales of investments during the year	506,405	(28,275)	(62,630)	(3,001)	231,974
Balance — end of year	<u>663,655</u>	<u>157,250</u>	<u>185,525</u>	<u>248,155</u>	<u>251,156</u>

STATEMENT OF UNREALIZED GAINS OR (LOSSES) ON INVESTMENTS

FOR THE FIVE YEARS ENDED DECEMBER 31, 1968

	Year ended December 31				
	1968 \$	1967 \$	1966 \$	1965 \$	1964 \$
Balance — beginning of year	3,917,034	(247,892)	1,089,218	551,099	233,097
Increase (decrease) during the year in excess of market value over cost of investments held	1,819,184	4,164,926	(1,337,110)	538,119	318,002
Balance — end of year	<u>5,736,218</u>	<u>3,917,034</u>	<u>(247,892)</u>	<u>1,089,218</u>	<u>551,099</u>

STATEMENT OF NET ASSET CHANGE

FOR THE FIVE YEARS ENDED DECEMBER 31, 1968

	Year ended December 31				
	1968 \$	1967 \$	1966 \$	1965 \$	1964 \$
NET ASSETS — BEGINNING OF YEAR	18,898,800	13,814,953	14,542,581	12,103,435	4,206,870
CHANGES IN INVESTMENTS DURING THE YEAR					
Investments in securities —					
Balance at cost — end of year	15,805,347	14,730,771	13,420,916	13,186,735	10,884,276
Balance at cost — beginning of year	14,730,771	13,420,916	13,186,735	10,884,276	3,519,793
Increase in cost	1,074,576	1,309,855	234,181	2,302,459	7,364,483
Less: Cost of purchases	10,927,687	6,226,049	6,035,406	4,007,943	12,586,652
Cost of sales	(9,853,111)	(4,916,194)	(5,801,225)	(1,705,484)	(5,222,169)
Add: Proceeds from sales	10,359,516	4,887,919	5,738,595	1,702,483	5,454,143
Realized gains (losses) on sales	506,405	(28,275)	(62,630)	(3,001)	231,974
Add: Unrealized gains (losses)	1,819,184	4,164,926	(1,337,110)	538,119	318,002
Net realized and unrealized gains (losses)	2,325,589	4,136,651	(1,399,740)	535,118	549,976
CHANGES IN INCOME DURING THE YEAR					
Net income	160,422	269,585	241,613	246,723	96,816
Income distribution to shareholders	(164,314)	(275,499)	(243,075)	(260,417)	(96,816)
	(3,892)	(5,914)	(1,462)	(13,694)	—
CHANGES IN CAPITAL STOCK DURING THE YEAR					
Capital stock					
Proceeds from sales of shares	3,137,519	2,896,370	2,276,524	3,883,964	7,770,904
Less: Cost of redemption of shares	2,161,836	1,943,260	1,602,950	1,966,242	424,315
	<u>975,683</u>	<u>953,110</u>	<u>673,574</u>	<u>1,917,722</u>	<u>7,346,589</u>
NET ASSETS INCREASE (DECREASE) FOR THE YEAR	3,297,380	5,083,847	(727,628)	2,439,146	7,896,565
NET ASSETS — END OF YEAR	<u>22,196,180</u>	<u>18,898,800</u>	<u>13,814,953</u>	<u>14,542,581</u>	<u>12,103,435</u>



CANADA GROWTH FUND

NOTES TO FINANCIAL STATEMENTS

FOR THE FIVE YEARS ENDED DECEMBER 31, 1968

1. INCOME DISTRIBUTION

On December 31, 1968, the Fund declared an income distribution of \$164,314 to shareholders of record on that date. Under the terms of the trust deed providing for the automatic re-investment shareholders' income, \$150,692 of this amount was applied to the purchase of 18,650 shares of the Fund leaving a balance payable at the year-end of \$13,622.

The average net investment income and distribution per share on an annual basis since the inception of the Fund have been as follows:

	cents		cents	
In respect of the years ended December 31	1961	3.14	1965	11.00
	1962	7.44	1966	10.00
	1963	7.46	1967	10.67
	1964	10.23	1968	6.00

2. SHARES ISSUED AND REDEEMED DURING THE YEAR

During the year 419,022,214 shares of the Fund were issued for cash of \$3,125,613. Also during the year 288,063,880 shares of the Fund were redeemed for \$2,153,822 cash. In addition, net credits of \$3,892 for 1968 and \$5,914 for 1967 have been included in the statement of income and distribution, representing the portion of value of shares issued or redeemed during the years applicable to their participation in the distribution account.

3. MANAGERS' AND SPONSORS' FEES

Under the terms of the trust deed the Fund pays fees to the sponsor and manager who pay all other expenses related to the operation of the Fund.

4. CHANGES IN ACCOUNTING POLICY — SHARE ISSUES AND REDEMPTIONS

Commencing January 1, 1965, the Fund applied the portion of the issue or redemption price of its shares related to the income available for distribution at the dates of such issues or redemptions, to the distribution account. In prior years, such amounts were included with the value of shares issued and outstanding.

5. FOREIGN EXCHANGE

The market values of investments quoted in foreign funds have been converted to Canadian funds at the rate of exchange prevailing on December 31, 1968 and their cost at the rates prevailing on the dates of acquisition. Other foreign fund accounts have been converted at the rate prevailing on December 31, 1968.

6. NET ASSET VALUE

The net asset values per share ex-distribution for the five years ended December 31, 1968 were as follows:

	1968	1967	1966	1965	1964
Beginning of year	\$7.22	5.58	6.16	5.90	5.34
End of year	8.08	7.22	5.58	6.16	5.90

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the following financial statements of Canada Growth Fund:

Balance sheet as at December 31, 1968

Statements of income and distribution and realized and unrealized gains or losses on investments for the five years ended December 31, 1968

Statement of net asset change for the five years ended December 31, 1968

Portfolio of investments as at December 31, 1968

Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Fund as at December 31, 1968, the results of its operations for the five years ended December 31, 1968, the changes in its net assets for the five years ended December 31, 1968 and, in addition, the portfolio of investments as at December 31, 1968 presents fairly the information it purports to present, the whole in accordance with generally accepted accounting principles applied on a consistent basis throughout the years, except for the change referred to in note 4 with which we concur.

Montreal,
January 17, 1969

McDONALD, CURRIE & CO.
Chartered Accountants



THE PURPOSE OF THE FUND

A very large part of the savings and investment of individuals and institutions is conservative in nature. Primary concern is safety. Other considerations, such as income and growth are secondary. Indeed, the more individuals and institutions have at stake, generally the greater is their concern above all to avoid risk of loss.

Canada Security Fund is designed to serve this particular investment market. Its portfolio is selected at all times to resist the periodic downward pressures on security values and therefore to preserve the investor's original capital.

The second objective of the conservative investor is to secure a reasonable rate of income. The Fund's securities, accordingly are selected to produce a good income yield.

The conservative investor also must take into consideration the fact that preservation of his capital in dollar terms is not enough. Dollars themselves continue to depreciate in terms of real value. Therefore some growth is necessary to preserve value. Finally some additional growth is always desirable provided it does not entail the sacrifice of priority objectives.

Canada Security Fund is dedicated to these purposes. The following description outlines its methods and policies.

INVESTMENT OBJECTIVES

The investment objectives of the Fund are:

1. To protect its shareholders' money.
2. To provide income for shareholders by concentrating investments in fixed income-producing securities.
3. To provide growth through investment in securities that carry the right of conversion or the right to purchase common stocks.

INVESTMENT POLICY

It is the policy of the Fund to pursue its primary objectives by investment mainly in convertible securities and securities with warrants attached of well established companies having good prospects for future growth. They will include varying proportions of United States securities. Selection and holding of the portfolio securities will be based on considerations of growth potential, security and income.

The theory of convertible securities embraces three important investment characteristics. These are:

- a) Safety of principal amount invested.
- b) Higher yield than the underlying common shares into which the security is convertible.
- c) Protection against inflation by participation in the equity values should they continue their upward course.

Management is of the opinion that inflation will continue at or near its present rate. Therefore, it is important for investors to protect themselves against this continued erosion of their assets. Through investment in convertible bonds or shares, and in securities with share purchase warrants attached, Canada Security Fund is designed to provide a hedge against this continuing inflation.

It is the opinion of management that the Fund qualifies for corporate pension fund investment under all Canadian regulations and it is the intention to continue such qualification.



CANADA SECURITY FUND

The year 1968 has been an eventful one for Canada Security Fund. From inception December 31, 1964, the Fund was operated as a fully-managed bond portfolio. In the fifties and the first half of the sixties it had been possible to deliver quite satisfactory investment performance in this manner. However, from 1965 on, the bond market has deteriorated badly. Bond holders everywhere have suffered serious capital losses. Throughout this period, your Fund was able to protect its shareholders' capital from the worst effects of bond price shrinkage by means of active management. In fact, the Fund's capital values bettered the bond market itself by an average of about five percentage points each year.

However, this was obviously not good enough in view of the continuing weakness of bonds. Therefore it was decided to move the portfolio into convertible debentures during 1968. This was commenced in July, under the guidance of a new investment adviser, Convertible Securities Advisory Company.

The Fund's objectives remain the same. It continues to be concentrated in fixed income securities. However, it now represents, for the first time, an effective hedge against dollar value shrinkage. Indeed, Canada Security Fund has become a genuine "turn-around" situation. The benefit to shareholders of the new program is revealed by the following:

	First half	Second half
Investment Performance	1968	1968
with income compounded:	+1.7%	+6.9%

The regular quarterly income distribution has now been declared in the amount of 4.52 cents per share payable 15 January to shareholders of record 31 December 1968.

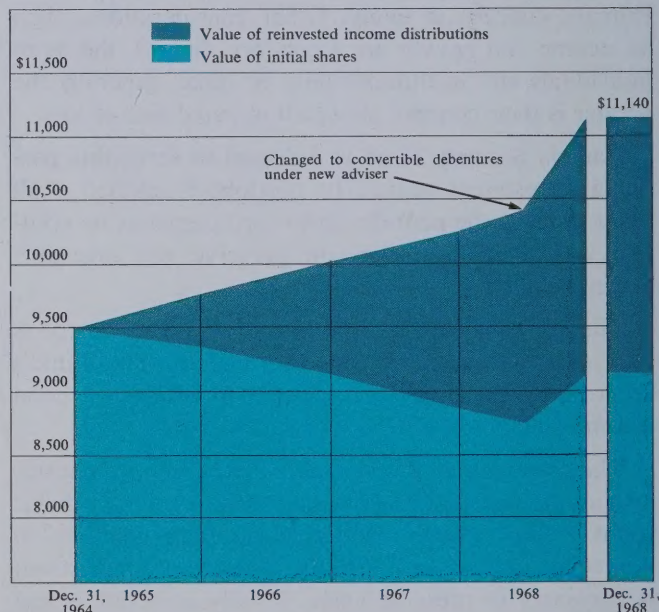
Although your Fund's progress has been gratifying over the past six months, we expect some reaction after such a strong upward advance in related stock prices. It would not be surprising to observe this early in the new year. However, our basic position is one of optimism for underlying values in the Fund because of inflation and the fact that the demand for good grade securities is outrunning supply.

As we remarked in the last quarterly report, and as the foregoing suggests, we expect the Fund's total return to be more influenced in the future by equity prices than by bond prices. As for bonds, there may be a little strength in the short term if certain political and economic possibilities come to pass but we still view long term ordinary bonds with suspicion and no confidence.

While it would not be wise to hope that conditions will be such that your management can always perform in the future as in the last six months, we do think the Fund is a strong candidate for its objectives which are: (1) safety, (2) income, and (3) growth.

INVESTMENT RESULTS

Illustration of a \$10,000 investment made on December 31, 1964 at the present maximum offering price



STATISTICS

Year Ending Dec. 31	Asset Value per Share	Distributions per Share	Cumulative Distributions
1965	\$4.94	19.67¢	19.67¢
1966	4.81	25.04	44.71
1967	4.66	26.63	71.34
1968	4.81	24.32	95.66

CONVERTIBLE SECURITIES

Properly chosen convertible securities can be the perfect hedge for those with idle funds, or funds available only for senior securities. By this means it becomes possible to combine the safety of bonds with opportunity for growth.

In the case of convertible bonds they are a part of the debt of a corporation and have a stated interest rate and maturity.

Convertible preferred stocks have a claim on assets ahead of the junior equities, and a specified, (usually quarterly), dividend. Both types of convertibles carry the privilege of exchange into a certain number of shares of common stock. This privilege is the holder's option — not that of the issuing corporation.

There can be no guarantee that the Fund's investment in convertible bonds will actually result in growth in value of the shareholders' investment. However the conversion feature can be very profitable at times, especially if the underlying stock has a long term growth pattern.



CANADA SECURITY FUND

Investment Adviser: Convertible Securities Advisory Co.

PORTFOLIO OF INVESTMENTS AS AT DECEMBER 31, 1968

Principal amount (U.S. \$)	Securities	Rate %	Date of maturity	Market value (note 2) \$
CONVERTIBLE BONDS				
45,000	Amerace Corporation	5	September 1, 1992	48,759
40,000	Boothe Computer Corporation	5¾	August 1, 1988	39,050
25,000	Di Giorgio Corporation	5¾	April 1, 1993	35,671
40,000	Eastman Kodak International Capital Company, Inc.	4½	May 15, 1988	46,131
35,000	McDonnell Douglas Corp.	4¾	July 1, 1991	44,870
25,000	Nytronics, Inc.	6½	July 15, 1983	43,181
50,000	Pan-American World Airways	4½	August 1, 1986	50,691
40,000	R C A International Development Corporation	5	February 1, 1988	45,595
50,000	Victoreen Inc.	5	September 1, 1987	55,250
50,000	Wells Fargo Bank	3¼	September 15, 1989	56,054
				<u>465,252</u>
Number of shares	SHARES			
3,200	Power Corporation of Canada Limited (convertible 2nd preferred "A")	5		44,000
				<u>509,252</u>
	NET CASH AND RECEIVABLES			<u>30,776</u>
	TOTAL NET ASSETS			<u><u>540,028</u></u>

NOTES TO FINANCIAL STATEMENTS

FOR THE FOUR YEARS ENDED DECEMBER 31, 1968

- The Fund was established on December 31, 1964 and commenced operations on that date.
- The market value of investments quoted in foreign funds have been converted to Canadian funds at the rate of exchange prevailing as at December 31, 1968 and their costs at the rate prevailing on the dates of acquisition. Other assets and liabilities in foreign funds have been expressed in Canadian dollars at the rate of exchange prevailing as at December 31, 1968.
- On December 31, 1968 the Fund declared an income distribution of \$5,003 to shareholders of record on that date.
- During the year 31,036,476 shares of the Fund were issued for cash of \$145,177. Also during the year 44,772,362 shares of the Fund were redeemed for \$207,088 cash. In addition, a net credit of \$95 for 1968 and a net charge of \$4,842 for 1967 have been included in the statement of income and distribution, representing the portion of value of shares issued or redeemed during the years applicable to their participation in the distribution account.
- The Manager has agreed to pay all operating expenses of the Fund to the extent that in total they exceed ¾ of 1% of the average net assets.
- The average net investment income per share for the years was as follows:

1968	1967	1966	1965
\$	\$	\$	\$
.232	.354	.242	.119

- The net asset values per share ex-distribution were as follows:

Beginning of year	4.66	4.81	4.94	5.00
End of year	4.81	4.66	4.81	4.94

BALANCE SHEET AS AT DECEMBER 31, 1968

ASSETS

Investment in securities — at market value (average cost 1968 — \$505,400; 1967 — \$484,268) (note 2)	
Short-term notes	
Cash	
Subscriptions receivable for shares of the Fund sold	
Accounts receivable from sale of investments	
Accrued interest receivable	

1968 \$	1967 \$
509,252	446,594
	155,000
35,230	7,147
14,042	
168,136	30,262
8,541	9,983
<u>735,201</u>	<u>648,986</u>

LIABILITIES

Accounts payable for shares of the Fund redeemed	
Accounts payable for purchase of investments	
Accrued expenses	
Income distribution payable January 15, 1969 (note 3)	

17,388	346
171,773	52,094
1,009	1,113
5,003	8,310
<u>195,173</u>	<u>61,863</u>

SHAREHOLDERS' INTEREST

Shares of no par value issued and outstanding (note 4)	
Issued since inception	341,426.551 shares
Redeemed	229,254.628
Balance outstanding	<u>112,171.923 shares</u>
Losses (profits) on investments	
Realized	
Unrealized	

1,679,211	1,534,034
1,094,221	887,133
<u>584,990</u>	<u>646,901</u>
48,814	22,104
(3,852)	37,674
<u>44,962</u>	<u>59,778</u>
540,028	587,123
<u>735,201</u>	<u>648,986</u>
<u>4.81</u>	<u>4.66</u>

Net assets

Net asset value per share

SIGNED ON BEHALF OF THE MANAGER

"J. B. SPARLING", Director

"R. R. TILDEN" Director

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the following financial statements of Canada Security Fund:

Balance sheet as at December 31, 1968

Statements of income and distribution and realized losses and unrealized profits on investments for the four years ended December 31, 1968

Statement of net asset change for the four years ended December 31, 1968

Portfolio of investments as at December 31, 1968

Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Fund as at December 31, 1968, the results of its operations for the four years ended December 31, 1968, the net asset change for the four years ended December 31, 1968, and in addition the portfolio of investments as at December 31, 1968 presents fairly the information it purports to present, the whole in accordance with generally accepted accounting principles applied on a consistent basis throughout the years.

Montreal,
January 17, 1969

MCDONALD, CURRIE & CO.
Chartered Accountants

STATEMENT OF INCOME AND DISTRIBUTION

FOR THE FOUR YEARS ENDED DECEMBER 31, 1968

	1968 \$	1967 \$	1966 \$	1965 \$
Interest from investments	<u>29,868</u>	<u>50,069</u>	<u>57,840</u>	<u>29,127</u>
Operating expenses (note 5)				
Management fee	2,542	3,651	4,951	3,384
Trustee's fee	889	937	1,360	2,462
Printing	3,600	2,400	2,400	2,400
Legal	300	150	250	245
Audit	<u>1,500</u>	<u>850</u>	<u>850</u>	<u>850</u>
	8,831	7,988	9,811	9,341
Less: Portion thereof paid by the Manager	<u>5,018</u>	<u>2,512</u>	<u>2,384</u>	<u>4,266</u>
	<u>3,813</u>	<u>5,476</u>	<u>7,427</u>	<u>5,075</u>
Net income for the year	<u>26,055</u>	<u>44,593</u>	<u>50,413</u>	<u>24,052</u>
Portion of value of shares issued or redeemed during the year applicable to their participation in the distribution account (note 4)	<u>95</u>	<u>(4,842)</u>	<u>566</u>	<u>3,063</u>
Distributed to shareholders during the year	<u>26,150</u>	<u>39,751</u>	<u>50,979</u>	<u>27,115</u>

STATEMENT OF REALIZED LOSSES ON INVESTMENTS

FOR THE FOUR YEARS ENDED DECEMBER 31, 1968

	1968 \$	1967 \$	1966 \$	1965 \$
BALANCE — BEGINNING OF YEAR	22,104	9,711	1,582	
Losses on sale of investments during the year	<u>26,710</u>	<u>12,393</u>	<u>8,129</u>	<u>1,582</u>
BALANCE — END OF YEAR	<u>48,814</u>	<u>22,104</u>	<u>9,711</u>	<u>1,582</u>

STATEMENT OF UNREALIZED PROFITS ON INVESTMENTS

FOR THE FOUR YEARS ENDED DECEMBER 31, 1968

	1968 \$	1967 \$	1966 \$	1965 \$
BALANCE — PROFITS (LOSSES) BEGINNING OF YEAR	(37,674)	(27,476)	(8,593)	
Increase (decrease) during the year in the excess of market value of investments held over their cost	<u>41,526</u>	<u>(10,198)</u>	<u>(18,883)</u>	<u>(8,593)</u>
BALANCE — PROFITS (LOSSES) END OF YEAR	<u>3,852</u>	<u>(37,674)</u>	<u>(27,476)</u>	<u>(8,593)</u>

STATEMENT OF NET ASSET CHANGE

FOR THE FOUR YEARS ENDED DECEMBER 31, 1968

	Year ended December 31			
	1968	1967	1966	1965
	\$	\$	\$	\$
NET ASSETS — BEGINNING OF YEAR	<u>587,123</u>	<u>1,003,080</u>	<u>999,794</u>	<u>225,100</u>
CHANGES IN INVESTMENTS DURING THE YEAR				
Investments in securities —				
Balance at cost — end of year	505,400	484,268	958,443	994,456
Balance at cost — beginning of year	<u>484,268</u>	<u>958,443</u>	<u>994,456</u>	<u>204,175</u>
Increase (decrease) in cost	21,132	(474,175)	(36,013)	790,281
Less: Cost of purchases	<u>1,984,924</u>	<u>2,159,020</u>	<u>4,143,890</u>	<u>3,630,623</u>
Cost of sales	<u>(1,963,792)</u>	<u>(2,633,195)</u>	<u>(4,179,903)</u>	<u>(2,840,342)</u>
Add: Proceeds from sales	<u>1,937,082</u>	<u>2,620,802</u>	<u>4,171,774</u>	<u>2,838,760</u>
Realized (losses) on sales	(26,710)	(12,393)	(8,129)	(1,582)
Add: Unrealized gains (losses)	<u>41,526</u>	<u>(10,198)</u>	<u>(18,883)</u>	<u>(8,593)</u>
Net realized and unrealized gains (losses)	<u>14,816</u>	<u>(22,591)</u>	<u>(27,012)</u>	<u>(10,175)</u>
CHANGES IN INCOME DURING THE YEAR				
Net income	26,055	44,593	50,413	24,052
Income distribution to shareholders	<u>(26,150)</u>	<u>(39,751)</u>	<u>(50,979)</u>	<u>(27,115)</u>
	<u>(95)</u>	<u>4,842</u>	<u>(566)</u>	<u>(3,063)</u>
CHANGES IN CAPITAL STOCK DURING THE YEAR				
Proceeds from sale of shares	146,096	123,846	243,643	950,397
Less: Cost of redemption of shares	<u>207,912</u>	<u>522,054</u>	<u>212,779</u>	<u>162,465</u>
	<u>(61,816)</u>	<u>(398,208)</u>	<u>30,864</u>	<u>787,932</u>
NET ASSETS INCREASE (DECREASE) FOR THE YEAR	<u>(47,095)</u>	<u>(415,957)</u>	<u>3,286</u>	<u>774,694</u>
NET ASSETS — END OF YEAR	<u>540,028</u>	<u>587,123</u>	<u>1,003,080</u>	<u>999,794</u>



TAURUS FUND LIMITED

WHAT THE FUND IS

Taurus Fund Limited is a maximum performance type of mutual fund. This definition means it is a fund which attempts to secure the greatest possible appreciation of capital. In seeking this objective, the Fund takes a higher degree of risk in the selecting of securities than does the average mutual fund. It emphasizes U.S. securities because it is there that the largest number of opportunities usually are to be found.

WHAT THE FUND DOES

The Fund concentrates on investing in common stocks of companies which fall into the following groups:

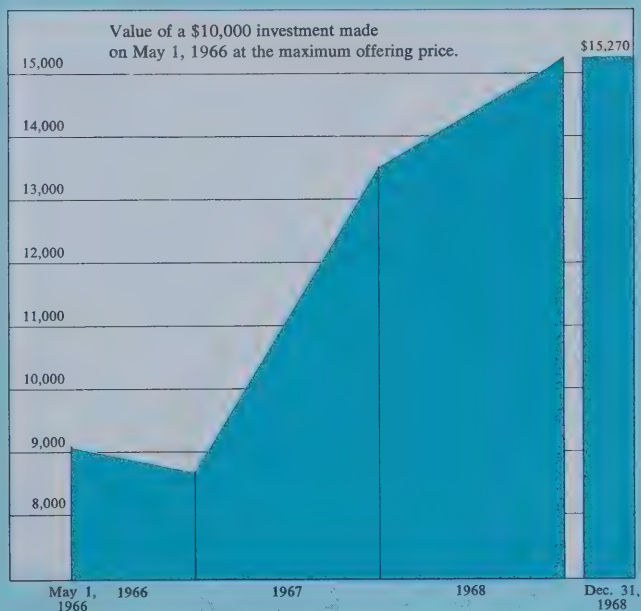
1. Scientific or technological stocks where emphasis is on research and development.
2. Special situations in young, yet-to-be recognized enterprises which hold exceptional promise of future growth.
3. Resource companies with promising exploration commitments.
4. Companies where the entrepreneurial skills of management are particularly outstanding.

No one primary industry will represent more than 25 per cent of the Fund's portfolio at any time. However, the growth of "free-form" and conglomerate companies which cut across industry classifications suggests that the traditional industry approach to diversification may be becoming obsolete. Therefore, Taurus Fund attempts some degree of risk-spreading by balancing the above security groups because they do not all react in the same manner to a given type of market action. Thus an attempt is made to offset expensive technological or "glamour" stocks with undervalued stocks whose price is better supported by established earnings.

In the final analysis it is present and potential earnings which support stock values. Accordingly it is early detection of above-average growth in earnings which will characterize stock selection for the Fund.

From time to time also, it may be the policy of the Fund to withdraw into a cash or cash-equivalent position when management believes it is prudent to do so. Under most conditions however, an aggressive approach to investing can be expected.

INVESTMENT RESULTS



MANAGEMENT PERFORMANCE

From Inception — May 1, 1966
+67.8%

Past twelve months
+12.8%

TWO UNUSUAL FEATURES

Tax Features: The Fund does not pay dividends. Total emphasis is on capital appreciation and the companies purchased by the Fund are themselves generally reinvesting the largest part of their earnings. All expenses of the Fund are charged against its income and may equal or exceed that income. Therefore, no income tax is payable by shareholders with respect to the Fund's earnings until shares are redeemed, at which time there may or may not be any taxable income included in the share value received. In any event, no tax reporting by shareholders is occasioned by their ownership of shares of the Fund as long as such shares are held.

Bearer Share Warrants: The Fund makes available certificates of ownership in bearer form for those shareholders who desire the facility of unregistered share ownership. Such bearer share warrants share equally with registered shares in the values generated by the Fund.



TAURUS FUND LIMITED

PORTFOLIO OF INVESTMENTS AS AT DECEMBER 31, 1968

SECURITY	Shares held	Market value (note 2)	SECURITY	Shares held	Market value (note 2)
BUILDING AND CONSTRUCTION (7.84%)			OILS AND GAS (10.72%)		
KeepRite Products Limited "A"	8,000	\$224,000	Baker Oil Tools, Inc. (U.S.)	9,000	\$229,314
Leigh Products, Inc. (U.S.)	7,000	204,639	Canadian Industrial Gas and Oil Company	6,000	159,000
United Westburne Industries Ltd.	10,000	157,500	Nabors Drilling Limited	10,000	170,000
		<u>586,139</u>	Westates Petroleum Co. (U.S.)	15,000	243,394
CONVALESCENT HOMES (9.10%)					<u>801,708</u>
American Medical Enterprises, Inc. (U.S.)	2,700	200,589	MISCELLANEOUS (38.37%)		
Beverly Enterprises (U.S.)	10,000	480,084	Abitibi Paper Company Ltd.	30,000	281,250
		<u>680,673</u>	Ampex Corporation (U.S.)	7,000	292,878
INDUSTRIAL PRODUCTS (7.42%)			Capital Building Industries Ltd.	40,000	255,000
Aimco Industries Limited	8,000	136,000	Charter Industries Limited	19,000	220,875
Ovitron Corporation (U.S.)	4,000	165,213	Dylex Diversified "A"	10,000	237,500
Wajax Limited	16,000	254,000	Marigot Investments Ltd.	29,000	130,500
		<u>555,213</u>	Miles Samuelson Inc. (U.S.)	10,000	124,714
LEISURE TIME (7.66%)			Security Capital Corporation Limited "B"	11,200	116,200
Loews Theatres Inc. - Wts. (U.S.)	7,000	245,942	Southwestern Drug Company (U.S.)	3,500	123,910
Polaroid Corporation (U.S.)	2,600	326,698	T. C. O. Industries Inc. (U.S.)	3,000	210,003
		<u>572,640</u>	Other Investments		876,703
NATURAL RESOURCES (11.08%)					<u>2,869,533</u>
Brenda Mines Ltd.	12,500	171,875	TOTAL PORTFOLIO OF INVESTMENTS (99.67%)		
Iron Bay Trust	40,000	184,000			7,453,619
Magnum Consolidated Mining Co. Ltd.	50,000	220,000	NET CASH AND RECEIVABLES (0.33%)		
Royal Canadian Ventures Ltd.	50,000	252,500			<u>24,785</u>
		<u>828,375</u>	TOTAL NET ASSETS		
CONGLOMERATES (7.48%)					<u>\$7,478,404</u>
A. M. K. Corporation (U.S.)	6,000	346,787			
I. H. C. Corporation (U.S.)	5,000	212,551			
		<u>559,338</u>			

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the following financial statements of Taurus Fund Limited:

Balance sheet as at December 31, 1968

Statements of realized gains on investments, unrealized gains and (losses) on investments, contributed surplus, deficit, income and net asset change for the periods from May 1, 1966 to December 31, 1968

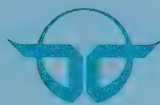
Portfolio of investments as at December 31, 1968

Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the fund as at December 31, 1968, the results of its operations and its change in net assets for the periods then ended and in addition the portfolio of investments as at December 31, 1968 presents fairly the information it purports to present, the whole in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods.

Montreal,
January 17, 1969

McDONALD, CURRIE & CO.
Chartered Accountants



TAURUS FUND LIMITED

BALANCE SHEET AS AT DECEMBER 31, 1968

ASSETS

Investments in securities — at market value (average cost 1968 — \$6,971,422; 1967 — \$896,475) (note 2)	
Cash	
Accounts receivable from sale of investments	
Dividends and interest receivable	
Subscriptions receivable for shares of the fund sold	

LIABILITIES

Accounts payable for purchase of investments	
Accrued expenses	
Accounts payable for shares of the fund redeemed	

SHAREHOLDERS' EQUITY

Capital stock —	
Authorized (note 3) —	
2,999,900 mutual fund shares of a par value of \$1 each redeemable at net asset value	
100 deferred shares of a par value of \$1 each	
Outstanding and fully paid —	
Mutual fund shares —	
Issued since inception	1,082,210.101 shs.
Redeemed for cancellation	191,387.114
Balance	890,822.987 shs.
Deferred shares —	
Issued	14 shs.
Gains on investments —	
Realized	
Unrealized	
Contributed Surplus	
Deficit	
Net assets	

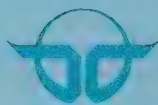
Net asset value per share

1968	1967
\$	\$
7,453,619	1,112,225
156,393	424,602
2,257,249	8,061
7,227	1,743
556,982	83,789
<u>10,431,470</u>	<u>1,630,420</u>
2,609,798	192,119
15,137	3,700
328,131	
<u>2,953,066</u>	<u>195,819</u>
890,823	192,904
14	14
<u>890,837</u>	<u>192,918</u>
702,060	94,129
482,197	215,750
<u>1,184,257</u>	<u>309,879</u>
5,418,564	936,317
(15,254)	(4,513)
<u>7,478,404</u>	<u>1,434,601</u>
<u>10,431,470</u>	<u>1,630,420</u>
<u>8.39</u>	<u>7.44</u>

SIGNED ON BEHALF OF THE BOARD

"J. B. SPARLING", Director

"R. R. TILDEN", Director



TAURUS FUND LIMITED

STATEMENT OF INCOME

FOR THE PERIODS FROM MAY 1, 1966 TO DECEMBER 31, 1968

	Year ended December 31, 1968 \$	Year ended December 31, 1967 \$	Period from May 1, 1966 to December 31, 1966 \$
Income from investments			
Dividends and interest	37,412	12,437	10,514
Expenses			
Management fee	32,985	7,009	2,925
Legal fees	1,100	1,905	600
Printing and stationery	4,339	8,528	200
Audit	1,450	1,250	500
Transfer Agent fees	1,845	200	
Other	2,281	1,445	
	44,000	20,337	4,225
	(6,588)	(7,900)	6,289
Provision for income taxes			
Canadian			503
Foreign withholding tax deducted at source	4,153	929	215
	4,153	929	718
Net income (loss) for the periods	(10,741)	(8,829)	5,571

NOTES TO FINANCIAL STATEMENTS

FOR THE PERIODS FROM MAY 1, 1966 TO DECEMBER 31, 1968

1. OPERATIONS

The company was incorporated by letters patent of Canada dated April 18, 1966 and commenced operations on May 1, 1966.

2. FOREIGN EXCHANGE

The market values of investments quoted in foreign funds have been converted to Canadian funds at the rate of exchange prevailing as at December 31, 1968 and their costs at the rate prevailing on the dates of acquisition. Other assets and liabilities in foreign funds have been expressed in Canadian dollars at the rate of exchange prevailing as at December 31, 1968.

3. AUTHORIZED CAPITAL STOCK

Under a By-Law approved at a special general meeting of shareholders on December 23, 1968, the company increased the number of mutual fund shares of a par value of \$1 each from 999,900 to 2,999,900. This change has been confirmed by Supplementary Letters Patent.

4. AVERAGE NET INVESTMENT INCOME (LOSS)

The average net investment income (losses) per share in the periods was as follows:

Years ended December 31,		Period from May 1, 1966 to December 31,
1968	1967	1966
\$	\$	\$
(0.012)	(0.046)	(0.055)

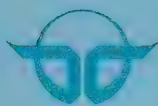
5. NET ASSET VALUES PER SHARE

The net asset values per share were as follows:

Beginning of period	7.44	4.81	5.00
End of period	8.39	7.44	4.81

6. EXPENSES OF THE FUND

All expenses in excess of 1% of the net asset value of the fund are absorbed by the Manager.



TAURUS FUND LIMITED

STATEMENT OF REALIZED GAINS ON INVESTMENTS

FOR THE PERIODS FROM MAY 1, 1966 TO DECEMBER 31, 1968

	Year ended December 31, 1968	Year ended December 31, 1967	Period from May 1, 1966 to December 31, 1966
	\$	\$	\$
Balance — beginning of period	94,129	7,199	
Gains on sales of investments during the period	607,931	86,930	7,199
Balance — end of period	702,060	94,129	7,199

STATEMENT OF UNREALIZED GAINS AND (LOSSES) ON INVESTMENTS

FOR THE PERIODS FROM MAY 1, 1966 TO DECEMBER 31, 1968

Balance — beginning of period	215,750	(30,639)	
Increase (decrease) during the period in excess of market value over cost of investments held	266,447	246,389	(30,639)
Balance — end of period	482,197	215,750	(30,639)

STATEMENT OF CONTRIBUTED SURPLUS

FOR THE PERIODS FROM MAY 1, 1966 TO DECEMBER 31, 1968

Balance — beginning of period	936,317	408,024	
Proceeds from sale of shares of the Fund for cash during the year over the par value thereof —			
874,262.651 mutual fund shares	5,714,994	610,326	408,000
Deferred shares		33	24
	6,651,311	1,018,383	408,024
Redemption of shares of the Fund for cash during the year over the par value thereof —			
176,343.864 mutual fund shares	1,232,747	82,066	
Balance — end of period	5,418,564	936,317	408,024

STATEMENT OF DEFICIT

FOR THE PERIODS FROM MAY 1, 1966 TO DECEMBER 31, 1968

Balance — beginning of period (retained earnings)	4,513	(4,316)	
Net income (loss) for the period	(10,741)	(8,829)	5,571
Incorporation expenses written off			1,255
Balance — end of period (retained earnings)	15,254	4,513	(4,316)



TAURUS FUND LIMITED

STATEMENT OF NET ASSET CHANGE

FOR THE PERIODS FROM MAY 1, 1966 TO DECEMBER 31, 1968

	Year ended December 31, 1968	Year ended December 31, 1967	Period from May 1, 1966 to December 31, 1966
	\$	\$	\$
NET ASSETS — BEGINNING OF THE PERIOD	1,434,601	490,906	
CHANGES IN INVESTMENTS DURING THE PERIOD —			
Investments in securities —			
Balance at cost — end of period	6,971,422	896,475	380,586
Balance at cost — beginning of period	896,475	380,586	
Increase in cost	6,074,947	515,889	380,586
Less cost of purchases	14,333,256	1,417,979	645,157
Cost of sales	(8,258,309)	(902,090)	(264,571)
Add proceeds from sales	8,866,240	989,020	271,770
Realized gain on sales	607,931	86,930	7,199
Add unrealized gains (losses)	266,447	246,389	(30,639)
Net realized and unrealized gains (losses)	874,378	333,319	(23,440)
CHANGES IN INCOME DURING THE PERIOD —			
Net income (loss)	(10,741)	(8,829)	5,571
Incorporation expenses written off			(1,255)
	(10,741)	(8,829)	4,316
CHANGES IN CAPITAL STOCK DURING THE PERIOD			
Capital stock —			
Proceeds from sale of shares	6,589,257	716,314	510,030
Less cost of redemption of shares	1,409,091	97,109	
	5,180,166	619,205	510,030
NET ASSETS INCREASE FOR THE PERIOD	6,043,803	943,695	490,906
NET ASSETS — END OF THE PERIOD	7,478,404	1,434,601	490,906



PLANNED INVESTMENTS CORPORATION

INVESTOR SERVICES

INVESTMENT OUT OF EARNINGS

"Wealth, like a tree, grows from a tiny seed. The first copper you save is the seed from which your tree of wealth shall grow. The sooner you plant that seed the sooner shall the tree grow. And the more faithfully you nourish and water that tree with consistent savings the sooner may you bask in contentment beneath its shade."

—Algamish, in "The Richest Man in Babylon"

The average man earns a fortune between his first pay check and his last. Yet the record shows that fewer men are worth \$100 at age 68 than at age 18 . . . after 50 years of hard work!

If a man were to earn just \$500 a month from age 25 to 65 his total earnings would be \$240,000. How many realize that saving ten per cent of those earnings at 9½ per cent compound return would mean he would have savings worth the whole \$240,000 at age 65? . . . Yet 9½ per cent is less than the average performance of any number of mutual funds!

. . . And most people **waste** more than ten per cent of their earnings!

THE REASONS FOR SAVING

Some may dream of owning a business — some want to be sure of the best education money can buy for their children — or it may be trips to far away places . . . a luxurious retirement instead of a meagre one - it could be simply not to **have** to work for a living. Be it security or some of life's luxuries most people want the wealth that successful savings can bring.

DOLLARS CAN BE A POOR INVESTMENT

Today's dollar will only buy half as much as it would in 1945. No one knows how bad future inflation will be. But history teaches us that it is **urgent** that savings must be made to work as hard as possible to offset the likelihood of continuing drops in the purchasing power of dollars.

THE PIC SYSTEMATIC INVESTMENT PLAN

Planned Investments Corporation offers modern plans for savings now used by thousands of thoughtful people . . . people determined to make their personal dreams come true. PIC Plans are available for any of the Planned Investment Funds. Here are some of the features:

Monthly deposits from \$25 up.

When necessary, withdrawals may be made with the right to replace them without charge.

Plans from \$100 a month up qualify for discounts from the regular buying price.

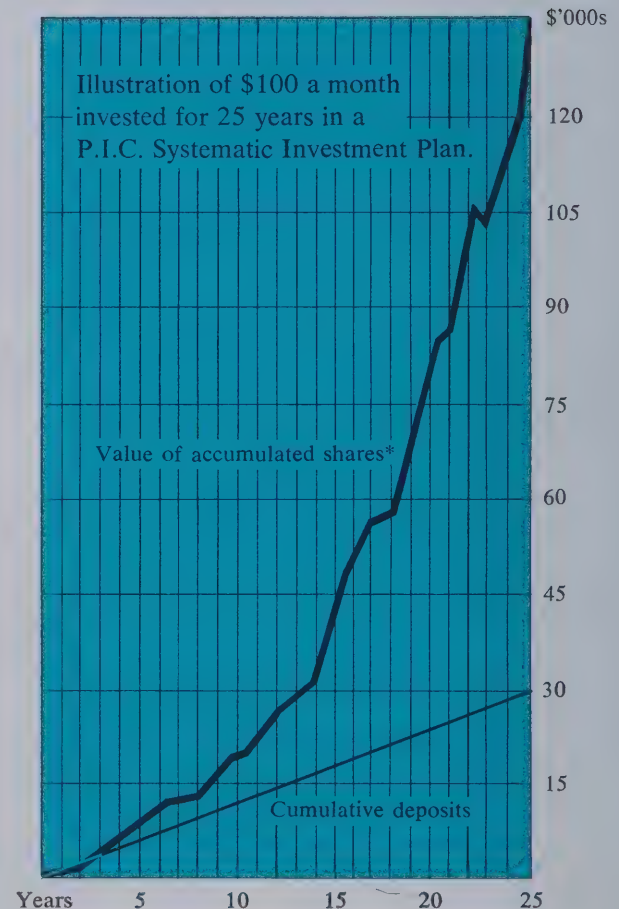
All income distributions are reinvested without sales charge for maximum compound growth.

Regular statements of account are issued to keep planholders posted.

The "Plan-O-Matic" system of automatic deposits — one signature starts the plan and it continues without any further action or inconvenience to the planholder.

The planholder receives quarterly Fund reports — audited annual financial statements and income tax statements when required.

The planholder is in complete control: Plans may be increased, decreased, suspended or terminated at any time.



*The fund used for this illustration was the Boston Fund because it has been in operation long enough to provide the 25 year history, (period used: 1941-65), and its investment adviser is the same as Canada Growth Fund's. Canada Growth Fund is designed and managed so as to provide the Canadian investor with an opportunity to enjoy the benefits of the same management skills as those which produced the above results.

RETIREMENT SAVINGS PLAN

Savings which are deductible from earned income for tax purposes may be made under either the Systematic Investment Plan or the Capital Investment Plan.

In all cases, of course, the amounts which may be deposited and deducted from taxable income are established by the Income Tax Act. Approved Retirement Savings Plans may be arranged for any of the Planned Investment Funds. Full details are set out in a pamphlet entitled "Larger Retirement Benefits Tomorrow Through Tax Savings Today" published by Planned Investments Corporation. Copies are available through any PIC office or through your investment dealer.

INVESTMENT OBJECTIVE INSURANCE

Acclaimed as a break-through in financial planning is PIC's new form of plan insurance. Where formerly Systematic Investment planholders had the option of insuring their intended plan deposits against death and disability, they now can insure an **investment objective!**

Planned Investments Corporation now holds a group insurance contract with The Sovereign Life Assurance Company of Canada through which planholders have an option which can save them a great deal of money in otherwise necessary life insurance premiums! Here is how it works:

The insurance option provides decreasing term insurance with initial insurance value equal to

200 times the monthly deposit for 10 year plans

400 times the monthly deposit for 15 year plans

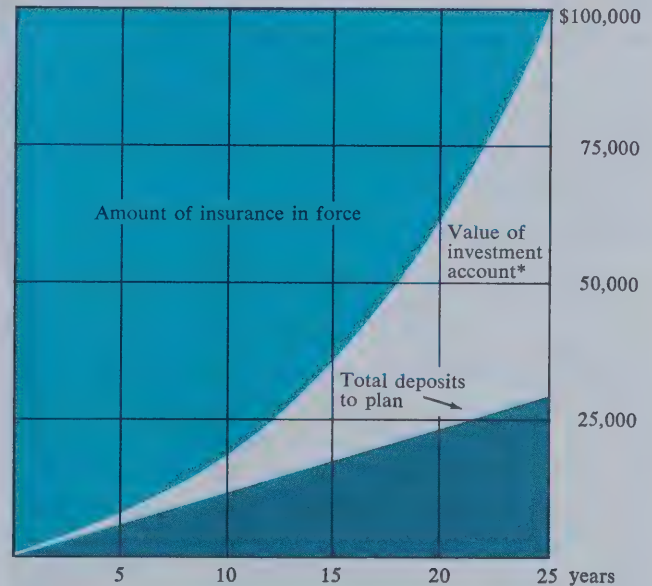
700 times the monthly deposit for 20 year plans

1000 times the monthly deposit for 25 year plans

For example, a 35 year old male planholder wishes to insure a \$100 per month plan for 25 years. His total intended deposits are \$30,000 (25x\$1200 per year). His initial insurance value will be \$100,000, decreasing to zero at the end of 25 years, at which time his investment account will be paid up (and worth whatever the value of his mutual fund shares may be at that time). His monthly insurance cost: \$36.10. (other insurance option costs depend on age and plan selected).

The plan insurance has been especially constructed to conform to the theoretical compound growth of an investment account on a conservative basis. No other form of decreasing term insurance would serve as well because the investment account, through compounding, grows at an accelerating rate. Here is how it looks on a graph:

Illustration of an insured Systematic Investment Plan
—Deposits of \$100 per month for 25 years



*This illustration is not to be considered a guarantee or even an estimate of the way an actual insured plan will work out. The decreasing insurance values are guaranteed, but the investment account value will fluctuate with market conditions. Therefore there can be no guarantee that the sum of the value of the investment account and the remaining insurance in force at any given time will equal or exceed the amount of original insurance in force. However, the assumptions are conservative as can be seen from comparison with the profile of the actual plan record on page 22.

The availability of the plan insurance in any particular case depends on evidence of health satisfactory to the insurance company.

In many cases, a PIC insured plan can now represent a complete plan for financial security in one package for the planholder and his family — a plan which can be simpler and very much more productive than other arrangements.

INVESTMENT OF CAPITAL

SHARE PURCHASE

The shares of any of the Funds may be purchased by lump sum at any time in amounts of \$500 or more. Income distributions from the Funds may be automatically reinvested in additional shares or, if requested will be paid to shareholders in cash.

The progressive growth of an investment in the shares of Canada Growth Fund and Taurus Fund Limited is illustrated graphically in the Fund reports which appear in the preceding pages.

CAPITAL INVESTMENT PLAN

As a convenience to investors, the contractual plan form of investment is made available for lump sums as well as for systematic savings. All of the applicable special features of the Systematic Investment Plan are available including safekeeping of shares and regular statements of account. For these reasons, the majority of capital investment commitments are made in this form.

The minimum amount required to open a Capital Investment Plan is \$500. Additional deposits may be made at any time in amounts of \$100 or more. The Plans are, of course, available for any of the Planned Investment Funds.

History of a \$50,000 investment in Canada Growth Fund made at the inception of the fund August 15, 1961, at the offering price.

Year Ended	Reinvested Distributions (cumulative)	Value of Account
1961	\$ 297	\$49,747
1962	986	44,830
1963	1841	51,813
1964	3040	58,819
1965	4216	62,475
1966	4785	57,559
1967	7293	75,578
1968	8790	85,208

QUANTITY DISCOUNTS

Any number of shares of the Funds may be acquired at any given time at the same price per share. The maximum sales charge for the smallest purchases is 9% of the offering price. Discounts from the regular offering price are applicable to purchases of \$12,000 or more, on a graded basis. The sales charge on the largest purchases is reduced as low as 1%.

In the case of Canada Security Fund the maximum sales charge is 5% of the offering price, with discounts for volume purchases resulting in minimum charges as low as ¼ %.

CUMULATIVE DISCOUNT

As investors continue to acquire larger and larger holdings in the Planned Investment Funds, they are entitled to credit for all previous purchases for purpose of discounts from the regular offering price of shares. In establishing entitlement to discounts, previous purchases still held of Canada Growth and Taurus Funds are combined.

LETTER OF INTENT

Investors intending to purchase shares in an amount of \$12,000 or more within a period of 13 months, but who may not find it convenient to make the full deposit at one time, may make use of a Letter of Intent. By this means, each part of the total investment made during the 13 month period of the agreement can qualify for the discount from the regular offering price which would apply if the total investment were made at one time.

MARKETABILITY

The Funds provide a market at all times for their shares. Each Fund stands ready to redeem its shares at their full current net asset value on any business day, without redemption charge. Such net asset value is calculated on every day on which the Montreal Stock Exchange is open. This important feature, unique to mutual funds, provides for the investor the valuable feature of liquidity so important to efficient investment administration by individuals or institutions which otherwise might have to maintain large cash or relatively unproductive cash-equivalent balances.

INCOME SERVICES

THE GREAT NEED FOR MORE INCOME

Income that can't or does not grow in an economy beset with constantly rising prices, creates a truly serious problem.

- * Income based on interest loses buying power year after year and is fully taxable
- * Income based on securities selected for high income usually involves a sacrifice of over-all performance... and often quality as well
- * Income from securities holdings that represent substantial frozen paper profits generally is distressingly modest
- * Income from a collection of individual securities comes in irregularly and requires much work in keeping records, attending to proxies, rights and tax information

The great need, therefore, is to find a means of putting your dollars where you may enjoy these eight advantages:

- 1) The investment must be a prudent one, free of needless risk.
- 2) The investment must be chosen with an eye to the need for growth that can exceed inflation.
- 3) You must have the freedom to dictate the amount of income you require.
- 4) You must be able to receive your income in uniform amounts at regular intervals of your own choosing.

- 5) You must be able to issue new instructions as to the flow of income cheques, whenever you please.
- 6) You must be able to handle your account in a manner that will avoid outliving your capital... the source of your income.
- 7) The income you receive should be subject to the lowest possible tax rate... if any.
- 8) You must be free of the complex and burdensome details normally associated with an investment involving a variety of securities.

All eight advantages are available to you through a

SYSTEMATIC INCOME PLAN

- 1) You make an investment of \$5,000 or more in the shares of one of the Planned Investment Funds.

Because the mutual fund is handled and constantly supervised by skilled professionals, and because your investment is spread over many carefully chosen securities, the normal risk of investing is substantially reduced.

- 2) You select a mutual fund that stresses growth of capital. The professionals who manage the fund work to give its shareholders growth that can parallel or exceed inflation.
- 3) You instruct PIC as to how much income you desire.

In keeping with your needs and desires you tell them to send cheques that may represent, for example, a 6%

NO. OF DEPOSITS	TRANSACTION CODE	AMT. DEPOSITED OR PAID	DISTRIBUTION FEE	ADMIN. FEE	INSURANCE PREMIUM	SUM ASSURED	AMT. INVESTED OR WITHDRAWN	EXCHANGE	PRICE - PRIX		SHARES DEPOSITED OR WITHDRAWN	SHARE BALANCE
NOMBRE DE DÉPÔTS	CODE DE LA TRANSACTION	MONTANT DÉPOSÉ OU PAYÉ	FRAS DE DISTRIBUTION	FRAS D'ADMIN.	PRIME D'ASSURANCE	SOMME ASSURÉE	MONTANT INVESTI OU RETIRÉ	CHANGE	CAN.	U.S.	ACTIONS DÉPOSÉES OU RETIRÉES	SOLDE D'ACTIONS
601		145.00-					145.00-		7.97		18.193	2,807.787

MR PAUL RICHARD
93226 BANK STREET
OTTAWA ONTARIO

AS AGENTS WE CONFIRM THE ABOVE TRANSACTION FOR YOUR INVESTMENT PLAN ACCOUNT
SEE REVERSE SIDE FOR EXPLANATION OF TRANSACTION CODES

FUND FONDS	CANADA GROWTH FUND	DATE	JAN 24 '69	ACCOUNT NO. COMPTE NO.	47,506.218	REPRESENTATIVE REPRÉSENTANT	112,200.000
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EN QUALITÉ D'AGENTS NOUS CONFIRMONS CETTE TRANSACTION PORTÉE À VOTRE COMPTE DE PROGRAMME D'INVESTISSEMENT
VOIR AU VERSO POUR EXPLICATION DU CODE DES TRANSACTIONS



ADMINISTERED BY - ADMINISTRÉ PAR

PLANNED INVESTMENTS CORPORATION

PROGRAMMES D'INVESTISSEMENTS CAPITALISÉS, LTÉE

PLACE DU CANADA
MONTREAL 3, CANADA

return on your invested capital...or it may be more or less... **whatever you want***.

- 4) You tell them to send your cheques each month, each quarter, semi-annually or annually.

By getting uniform cheques at uniform intervals you put an end to the problem of receiving income and interest payments in a feast or famine manner.

- 5) At any time, by simply writing a letter you can change your instructions as to the size of your cheques or the intervals.

You are in control. Your instructions will be followed and can be changed whenever you please.

- 6) With every cheque you receive a statement showing the exact status of your account. You always know where you stand.

By using sound judgment in the amount you request, and by your ability to watch your account and your freedom to make changes, you can protect yourself from the threat of outliving your capital.

- 7) Because you are invested in growth securities, as opposed to high income securities, and because all actual income is used to buy you extra shares, the great bulk of your income will represent return of capital.

To appreciate the tax savings involved look at the table below comparing a Systematic Income Plan with a fixed interest investment.

- 8) The mutual fund handles all bookkeeping, rights, warrants, proxies, tax splits and other details normally associated with ownership of a long list of securities.

You are free of all details and, at the end of each year, you are given a simple, clear statement to make your tax reporting trouble-free.

If you've ever thought or said:

How in the world can I spend paper profits?

We need more income... and we'll need it as long as we live

Prices keep going up — but my income stands still

A PIC Systematic Income Plan could be your answer

TWO WAYS OF TAKING \$3,000 ANNUAL INCOME ON A \$50,000 INVESTMENT

Interest on a 6% Bond versus a 6% Withdrawal Plan in Canada Growth Fund

Year Ending	Income Received	Income Tax Payable		Net Income After Tax		Remaining Value of Account	
		C G F Withdrawal Plan	6% Bond	C G F Withdrawal Plan	6% Bond	C G F Withdrawal Plan	6% Bond
1963						\$50,000	\$50,000
1964	\$3,000	\$95	\$802	\$2,905	\$2,198	53,706	50,274
1965	3,000	99	802	2,901	2,198	53,921	47,759
1966	3,000	86	802	2,914	2,198	46,713	44,477
1967	3,000	89	802	2,911	2,198	58,064	40,686
1968	3,000	48	802	2,952	2,198	62,166	38,246

NOTES:

- 1) Tax calculations are based on 1968 rates for a married man with no dependents and total income of \$10,000 including the income illustrated.
- 2) The comparison to a 6% bond is hypothetical since investment quality bonds were yielding about 5½% at the end of 1963.
- 3) Bond values have declined over 20% in the past five years. Thus, while the value of a Canada Growth Fund account would have grown to \$62,166 over the period, the bond investment would have declined in value to about \$38,246 (Based on McLeod, Young, Weir & Co. 40 Bond average).

*If the withdrawals are in excess of dividend income from the Fund and net capital appreciation, they may result in encroachment on or possible exhaustion of the shareholder's original capital.

INSTITUTIONAL SERVICES

INSTITUTIONAL INVESTMENT

Most churches, colleges and charitable organizations have capital funds on which they depend for operating income. In most cases investment policy is dictated by the need to maximize current income. Unfortunately, this policy usually detracts from growth of capital. Consequently, with constantly growing income needs, adequate income is invariably a serious problem.

For the same reasons outlined in the section on Income Services, out-dated investment policy thinking needs to be discarded in favour of maximizing **total** investment performance irrespective of its effect on current income. Then the current income needs can properly be met by drawing upon capital on a prudent basis which will leave some average underlying growth in the capital account. In this way both present income needs and the growing future income needs can be provided for.

One proviso is essential. The investment management must be professional **and** competent. Canada Growth Fund, or a combination of Canada Growth Fund and Canada Security Fund can offer a logical solution to the problem. Based on these Funds a Systematic Income Plan, with its efficiency and flexibility can make the most of the capital resources of an institution in the light of both present and future needs.

PENSION FUND INVESTMENT

The total assets of private pension funds represent a giant pool of investment. Excluding amounts held by life insurance companies under insured plans and those held by the federal government Annuity Branch the Canadian total now is over \$8 billion. Furthermore, the net growth of these assets through contributions and investment income net of pay-out is currently close to \$700 million a year.

Traditionally, the largest part of this huge pool of capital has been invested in fixed income securities

such as bonds and mortgages. Increasingly, however, pension fund trustees have been turning to equities in an effort to improve total investment performance. In this, Canada has lagged far behind the U.S. and the U.K. where recognition of the urgency of improving the long-term investment results of pension funds has been widespread for years. Thus today, only some 20 per cent of Canadian trustee pension funds is in equities while the proportion in the U.S. is now probably over half.

There is a growing realization that inflation is producing a disastrous cumulative effect on the real value of pensions expressed in dollar terms. As a result industry is under growing pressure to liberalize pension plans. However, the contributions necessary to adequate pensions can be a heavy and often impossible burden.

The most far-reaching factor affecting pension cost is the investment performance of a pension fund.

The actuaries tell us that one per cent difference in investment yield can have an average effect of 20 per cent on the cost of a given pension level. The long-term compound investment performance of equities has exceeded the results of fixed-income investments (bonds and mortgages) historically by several percentage points. Since short-term fluctuations in value are of no significance in a pension fund, trustees have tended to commit steadily larger and larger proportions of pension funds to common stocks.

This has, however, only been the beginning. The farther pension fund trustees have moved into equity investment the more they have begun to realize the vast differences in results obtained by various fund managers.

Due to the fact that mutual funds publish their investment results, their reputation is a matter of public record. This makes for much keener competition than is common among the managers of pension funds whose real performance is not only not advertised but frequently unknown to pension trustees themselves.



The greatest source of assurance their shareholders can have relates to the fact that mutual funds operate in a "goldfish bowl." This spur to excellence lies behind the performance delivered by leading funds such as the Planned Investment Funds. It is also reason for predicting that more and more pension fund trustees will be turning to mutual funds in the future. Canada Growth Fund, fully qualified under federal and provincial pension regulations is already a preferred medium for the purpose.

DEFERRED COMPENSATION PLANS

Deferred compensation is a conditional undertaking by a company to pay an employee or his widow a lump sum or income at his retirement or death before retirement.

In most cases the company makes an individual agreement with each eligible employee under which it undertakes to pay certain future compensation on the condition that the employee fulfills certain obligations such as continuing satisfactory service, making himself available for consultation after retirement, never serving a competitive business, etc.

The proper agreement can safeguard both company and employee against abuses. It need impose no handicaps on either party and, in fact, it can provide maximum assurance that the objectives of the arrangement will be accomplished.

The specific objectives

- 1) To compensate more efficiently and at less cost by arranging for additional remuneration to be received at a time when the employee's income tax rate is likely to be lower.
- 2) To make possible the aggressive enhancement of additional compensation through investment so as to multiply its incentive value.
- 3) To reduce the possibility of an employee defecting to other employment.
- 4) To attract an employee from other employment where immediate taxable salary and bonus are not sufficient incentive.
- 5) To reduce the tendency of employees to divert attention from company affairs in a personal search for security for themselves and their dependents in terms of their own living standards.
- 6) To reduce stress from personal financial worries leaving an employee a healthier more confident asset to his company.
- 7) To take the place of or to complement stock purchase arrangements which under many conditions may not be as desirable from the standpoint of either the employee or the company.

Funding

In addition to having a deferred compensation agreement constituted as a trust in guarantee of good faith, it is customary for a company to allocate sufficient funds to the trust each year to make the arrangement self-liquidating. By this means then the conditions of the deferred compensation agreement will be carried out regardless of unforeseen circumstances which might otherwise interfere.

The ideal disposition of the funds thus segregated is investment in a dynamic medium under separate professional investment management. The more effectively the investment medium can perform, the more attractive the deferred compensation results will be relative to the investment made by the company. The ideal medium for the purpose is a well-selected open end investment fund which is growth oriented and under able professional management.

In addition to meeting these qualifications, it is desirable that such a fund be accumulated through the



medium of a modern contractual plan, such as Planned Investments Corporation's Systematic Investment Plan. This provides for automatic reinvestment of income distributions with the resulting compounding effect during the accumulation period. It also opens the way to effective and convenient income arrangements during the benefit period. PIC's systematic income programs permit a wide range of selected income levels without the necessity of disturbing the character of the underlying investment. Thus the terms and conditions of the agreement itself can continue to govern the precise character of the deferred benefit rather than the somewhat inflexible circumstances of many other types of investment media.

Planned Investments Corporation as sponsor and distributor of various investment funds is able to offer a choice of vehicles which would be suitable for the purpose. It must be stressed that maximum incentive appeal will only be secured where the investment medium selected has demonstrated its ability to generate really attractive investment results.

PAYROLL INVESTMENT PLANS

Definition: The Payroll Investment Plan is a means by which the employees of a company can build a personal investment account automatically by authorizing the deduction of a fixed number of dollars per month from their pay. The arrangement requires the cooperation of the employer in making the authorized deductions and remitting them, under schedule, once a month to Planned Investments Corporation.

Purpose: The Plan is designed to be complementary to the Canada Savings Bond payroll savings program. Canada Savings Bonds represent an excellent medium for short or medium term savings accumulation, and

experience indicates that this is the principal function they perform. There remains a need, for most employees, of an effective long-term investment plan which can bring them the benefits of optimum investment performance through ownership in productive business enterprise.

For a long-term investment program to be truly successful, it must measure up to the following conditions:

- a) Maximum long-term investment results require emphasis on equities.
- b) Minimization of risk demands adequate diversification.
- c) Investment portfolios made available must be under professional investment management of the highest available quality.
- d) Continuing investment must be made as simple and automatic as possible.
- e) The administration of the program must be effective, accurate and dependable.
- f) Participants must be made thoroughly familiar with the exact nature of the program and they must be kept advised of their position regularly.
- g) Competent personal service must be available through the sponsor of the program on a continuing basis.

The spectacular growth of investment in mutual funds in Canada in the last few years clearly indicates the need and the demand for this type of investment program. Continuing inflation with its debilitating effect on all forms of fixed dollar accumulation dictates ever more strongly the widespread need for personal programs of long-term equity accumulation.

INSURED INVESTMENT PLANS FOR BUSINESS PURPOSES

The advent of the Investment Objective Insurance Option now makes it practical for the first time for mutual funds to be used for business insurance purposes. In summary, the reasons businessmen use life insurance include the following:

1. **Key man insurance** to protect a business against the loss of an asset which could be crippling: men whose ability, experience or connections are vital to business success. The same arrangement sometimes serves the double purpose of rewarding such a man if he lives to retirement by allocating to him the equity of a policy on his life.

2. **Sole proprietorship insurance** on the life of a business owner to protect his own estate against the possible collapse of his business, or a sharp reduction in its value at the time of his death. A variation sometimes used is the ownership of insurance on the life of the proprietor by one or more key employees. In such cases the purpose is to make it possible for selected employees to buy an interest in a business at the death or retirement of the original proprietor.

3. **Partnership Insurance** to make it possible for business partners to have the means to buy out the interest of a partner who dies - at a fair value agreed beforehand. Such an arrangement is usually very much in the best interest of both a surviving partner and the heirs of a deceased partner.

4. **Business Insurance in a private company.** The circumstances of the active shareholders of a closed corporation are similar to those of business partners. The insuring of each other to fund a "buy and sell" agreement makes possible the transfer of the shares of

one to die at fair value. Thus the event that creates the need for capital also creates the capital.

Much has been written on all of the above business problems and space here permits only brief reference. However, it is important to note that countless situations in business which call for one of the above solutions have gone unresolved because businessmen have often resisted life insurance solutions for two reasons:

- (a) They regard life insurance as a poor investment;
- (b) They dislike a "die-to-win" arrangement.

How to "have your cake and eat it"

Systematic Investment Plans with the new Investment Objective Insurance Option now provide an answer which meets with an enthusiastic response.

It can be said that every prudent businessman should have a system of "laying off his bets" by building productive assets apart from his normal business operations. Once again it is only the age old principle of not having all of one's eggs in one basket.

Here's why:

- 1. For the first time, interesting amounts of low-cost group insurance are available as investment options.
- 2. They represent a dynamic investment which can produce exciting results.
- 3. It is not necessary to "die to win." If premature death does not occur, it is only a matter of time before the investment accounts themselves will exceed the original insurance in value.

ESTATE INVESTMENT PLANNING

Providing for the needs of dependents. The average Canadian family is vulnerable to severe financial hardship. Even where an earnest attempt at disciplined financial planning has been made it is often doomed to failure because it is not sufficiently productive. Heads of families are usually under-insured because they have not been sold the right kind of protection. Their savings are usually hopelessly inadequate because they are insufficiently productive and are not started soon enough or maintained consistently.

An insured Systematic Investment Plan based on one of the Planned Investment Funds can provide an answer to both problems. There are other good reasons why a well-designed mutual fund program can be most beneficial for estate purposes:

Liquidity. The first need in an estate is cash to meet last expenses, settlement costs and taxes.

These can require a large sum of money and can bankrupt an estate composed of real property or private business interests. Mutual fund shares can be turned into cash at any time.

Liquidity without sacrificing productivity. Often the necessary liquidity is provided through life insurance or bonds. Mutual funds can serve the same purpose while at the same time keeping assets working productively.

Continuous Professional Management: The bridge between generations. When the head of a family dies, his assets are "frozen." If he owns individual securities or properties they cannot be traded, bought or sold at any time during the many months of estate clearance. This can result in serious loss. Mutual fund shares, on the other hand receive the benefit of constant daily management because the securities the fund owns are supervised without interruption.

Assets can be bequeathed but management ability cannot. The family head who builds an estate through his own ability leaves what he has built but his own management dies with him. How much better for him

to make his own choice of management to carry on - the professional expertise of a mutual fund of his choosing - than to leave his affairs unmanaged or at the mercy of inept management.

Estate Settlement Simplification. Estate costs mount in proportion to the number and variety of assets. A mutual fund is many securities in one - with resulting economy of transfer. And when it comes to distribution among heirs the problem of who gets what, and what is fair to all, is easily resolved. Fund holdings can be divided easily and fairly.

Estate Administration Efficiency. An estate is usually called upon to produce income. It is vital that that income last as long as the heirs require it. The records are full of sad stories of widows or children left capital sums which are rapidly dissipated. It is said the average life insurance settlement lasts but seven years.

Many a widow with \$50,000 in cash has felt rich and has indulged in extravagances. In terms of income at, say, 8 per cent, suddenly it becomes a modest \$4,000 a year and a poor substitute for the lost breadwinner.

The well designed estate based on mutual funds can be a highly efficient instrument for security and well-being:

- (1) It can produce systematic income with all the advantages described on page 25;
- (2) It can be flexible to permit adjustments to cover unforeseen needs;
- (3) It is convenient - one pre-determined cheque a month, reliably, regularly, permanently;
- (4) In these times of inflation income must be able to grow if living standards are to be protected;
- (5) Above all a plan must be productive. Money should be made to work hard for the benefit of those who depend on what it can earn.

It is all of these and more that combine to make the modern mutual fund program the backbone of sound personal financial planning.

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THE
PLANNED
INVESTMENT
FUNDS

ANNUAL
REPORT
1968



CANADA GROWTH FUND



CANADA SECURITY FUND



TAURUS FUND LIMITED